

## Message Text

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ORIGIN EA-09

INFO OCT-01 ISO-00 SS-15 SP-02 NSC-05 L-03 H-02 EB-07

OMB-01 TRSE-00 CIAE-00 INR-07 NSAE-00 AS-01 AID-05

IGA-01 FS-01 EUR-12 DODE-00 /072 R

DRAFTED BY EA/VLC:MHENDERSON:JY

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AID/ASIA/LAOS:MHUNTINGTON

EA/VLC:JDROSENTHAL

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R 180009Z NOV 75

FM SECSTATE WASHDC

TO AMEMBASSY VIENTIANE

INFO AMEMBASSY BANGKOK

C O N F I D E N T I A L STATE 272348

E.O. 11652: GDS

TAGS: PFOR, EFIN, EAID, LA, US

SUBJECT: EMBASSY'S BANK ACCOUNTS

REF: A. VIENTIANE 6258; B. VIENTIANE 6202; C. VIENTIANE  
6003; D. STATE 252727; E. VIENTIANE 6274

1. DEPARTMENT CONCURS IN YOUR VIEW THAT THE TIME HAS COME  
TO SEEK A HIGHER-LEVEL AND MORE MEANINGFUL DISCUSSION OF  
THE WHOLE BANKING ACCOUNTS PROBLEM WITH APPROPRIATE LAO  
AUTHORITIES. YOU SHOULD THEREFORE RAISE THIS WITH THE  
MFA, MAKING THE FOLLOWING POINTS:

A. RECALL TO LAO ATTENTION THE MATTER OF USAID 'TRUST  
FUNDS' WHICH ARE CO-MINGLED IN THE BNL ACCOUNT. YOU SHOULD  
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REMIND THE LAO OF THE RAMSEY-KHAMSING LETTER AND REPEAT

THE OFFER OF SETTLEMENT (REF C, PARA 2) OF THE ISSUE OF THESE PARTICULAR FUNDS TO WHICH THE LAO HAVE A CLEAR CLAIM. YOU SHOULD ALSO EXPLAIN THE EXISTENCE AND FUNCTION OF THE USAID RESIDUAL KIP 10,733, 798 IN THE SAME BNL ACCOUNT, USING, AS YOU SUGGEST (REF E, PARA 2), THE CASES OF MOPH AND EDL PAYMENTS FOR EXAMPLES.

B. THE QUESTION OF THE ORIGIN OF FUNDS IN THE EMBASSY'S BIC ACCOUNT, WHICH WAS RAISED BY THE BNL GOVERNOR IN HIS LETTER OF NOVEMBER 6, SHOULD NOT BE AN ISSUE; THESE ARE NOT USAID CONNECTED FUNDS BUT ARE EMBASSY OPERATING MONIES. THUS, NEITHER THEY NOR ANY OTHER ACCOUNT, EXCEPT THAT THE BNL, ARE PROPERLY THE SUBJECT OF PGNU INTEREST.

C. THE DEPARTMENT OF STATE AND THE TREASURY HAVE INSTRUCTED THE EMBASSY NOT TO OPEN A NEW ACCOUNT AT BNL WITH KIP FUNDS OBTAINED FROM THE SALE OF HARD CURRENCY. THUS THE EMBASSY CANNOT TAKE UP THE BNL GOVERNOR'S REPEATED ADVICE TO OPEN A NEW ACCOUNT WITH 'NEW' MONEY.

D. YOU SHOULD REITERATE OUR WILLINGNESS TO ASSIST THE LAO IN A PROMPT RESOLUTION OF THE PROBLEM. YOU MIGHT ALSO POINT OUT THAT PROLONGED INTERFERENCE WITH THE FINANCIAL OPERATIONS OF THE EMBASSY CAUSED BY THE 'AUDIT, IS INCONSISTENT WITH TREATMENT WE CONTINUE TO ACCORD LAO ACCOUNTS IN THE US ON BASIS OF RECIPROCITY.

2. DEPARTMENT WILL SHORTLY CALL IN LAO CHARGE HERE, MAKING SAME POINTS IN DISCUSSION WITH HIM.

3. YOU MAY BE SURE THAT DEPARTMENT VIEWS THE RETENTION OF OUR FUNDS, EXCEPT FOR USAID 'TRUST FUNDS' AS NOTED PARA 1A ABOVE, AS A VERY IMPORTANT CONSIDERATION AND HOPES THAT THESE POSITIVE STEPS WILL PUSH THE ISSUE TOWARD A FAVORABLE RESOLUTION. KISSINGER

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